

From: Gilman, Jason [jgilman@cityofonalaska.com]
Sent: Monday, January 21, 2008 11:27 AM
To: Rep.Shilling
Subject: Downtown Wisconsin Act, AB 599

Dear Representative Shilling:

Thank you for your work on AB 599, the Downtown Wisconsin Act.

I am supportive of this bill since it proposes a stimulus package for Wisconsin's downtowns which I believe to be vitally important to the sustainable growth and development of the State of Wisconsin considering the following:

1. Wisconsin downtowns represent millions of dollars in public investment that municipalities should be good stewards of.
2. Wisconsin downtowns offer an immense opportunity to encourage State tourism
3. Wisconsin downtowns can be economic development 'engines' since they represent enormous urban infill, redevelopment and new development opportunity at a low cost to taxpayers since these areas are already provided with essential services.
4. Wisconsin downtowns represent the essence of the State's culture and sense of place and it benefits us as a State to insure that they portray Wisconsin's pride and hard work ethic.
5. Wisconsin downtowns offer great re-use opportunity for historic structures, part of the State's great resources.

Thanks again for your great work on this bill and if there is anything I can offer to assist you, please contact me.

Sincerely,

Jason Gilman, AICP
Land Use and Development Director

City of Onalaska
608-781-9590
Fax 608-781-9506
E-mail: jgilman@cityofonalaska.com



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1/22/2008



WISCONSIN LEGISLATURE

P.O. BOX 8952 • MADISON, WI 53708

TO: Members of the Assembly Committee on Rural Affairs

FROM: Representative Jennifer Shilling and Senator Julie Lassa

DATE: January 24, 2008

SUBJECT: Outline of proposals contained in the 2007-08 Downtown Wisconsin Act

I. Department of Commerce

- The Department will be required to promulgate rules for the certification of downtowns, and to define certified downtowns. By becoming a certified downtown, communities will be able to qualify for a variety of revitalization and development assistance.
- The Department is also required to develop and publish guidelines to aid communities in reconstructing central business districts that are destroyed or severely damaged in major disasters.
- The Downtown Wisconsin Act will add 2 new positions in the Department of Commerce to respond to the increased workload. These positions will be funded through the fees collected by the Wisconsin Historical Society for certifying rehabilitation of historic buildings.

II. Department of Transportation

- During the preliminary phases of a proposed DOT highway project, the agency is required to consult with the community as to the effects of the project on the business or certified downtown area.
- During the concept definition phase of a highway project, DOT is directed to recognize the high visual and aesthetic significance of, and impacted related to, these types of highway projects in order to increase certified downtown communities' eligibility of funding under the Community Sensitive Design program. As part of this program, funding can be used for decorative lighting, landscaping, planting, bicycle and pedestrian facilities, park benches, banners and signage.

III. Department of Tourism

Currently, the Department of Tourism does not market downtowns. The Downtown Wisconsin Act will require the Department of Tourism to market Wisconsin downtowns, focusing on Main Street Communities and Certified Downtowns. The Department of Tourism will work on a marketing strategy to brand Wisconsin downtowns as tourist destinations, and on the implementation of that strategy.

IV. Historic Buildings

- **Historic Building Redevelopment Tax Credits:** Currently, developers and small business owners often feel discouraged from redeveloping historic properties due to the increased costs of renovating such buildings. The Downtown Wisconsin Act will provide additional incentives for redeveloping qualified historic buildings by increasing the state historic rehabilitation tax credit from 5 percent to 20 percent of qualified expenses for rehabilitation of historic buildings in Main Street Communities and Certified Downtowns.
- **State Historic Building Code:** In 1986, Wisconsin created the State Historic Building Code. Over 20 years later, there are still questions as to whether these codes are being used and whether the hindrances to using them are too great. Local communities struggle with the question of how local building codes relate to the State Historic Building Code.

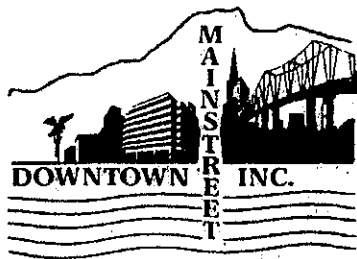
The Downtown Wisconsin Act specifies that the Historic Building Code must be liberally interpreted to facilitate the preservation and restoration of qualified historic buildings. The bill also creates a specific administrative procedure for determining the extent to which a provision in a local building code applies to a qualified historic building; and sets forth guidelines by which an owner of a qualified historic building can request that the Department of Commerce must review the decision to determine whether the provision in a local building code ordinance concerns a matter dealt with in the State Historic Building Code.

The bill also requires the Dept of Commerce, in cooperation with the State Historical Society, to develop an informational pamphlet to increase public awareness and use of the State Historic Building Code.

V. State Government Office Location

Currently, federal government offices give priority to downtowns when scouting locations for their local offices. They are allotted a 10 percent preferential cost difference in order to locate their offices there. This serves to attract businesses and customers to the central business district. Such a priority is not only good for the central business districts of Wisconsin municipalities, but it is a Smart Growth decision that helps prevent urban sprawl.

The Downtown Wisconsin Act will create the same state office siting guidelines as the federal government by requiring state office buildings to locate in central business districts unless the cost is 10 percent greater than what it would be to locate outside of the downtown.



January 23, 2008

Rep. Lee Nerison, Chair
Committee Members
Assembly Committee on Rural Affairs

RE: Support for approval of AB 599.

Dear Chairman Nerison and Committee Members,

I am the Executive Director of Downtown Mainstreet, Inc. (DMI) and represent the board of directors of our non-profit, private business organization who have been implementing our Master Plan for the economic redevelopment and revitalization of our Central Business District – Historic Downtown La Crosse and riverfront. We began the implementation process in 1993 and have had phenomenal successes since. A few examples of those successes, since 1993, are:

- \$240 + million dollars have been made in public and private reinvestments.
- 270 downtown residential units in restored upper floors and freestanding units constructed. We are projecting that this number will double in the next 2-3 years.
- Downtown employment of 8900 now surpasses previous 1994 DOT projections (20 years ahead of their projection) and is the highest in our cities 150 year history.
- Major high-tech corporations have built multi-million dollar buildings, bringing high paying jobs into the downtown and national recognition to our city and state.
- We have created one of the largest Historic Commercial Districts in the state, with 96 buildings contributing to that national/state designation.
- Multi-million dollar redevelopment of our historic Riverside Park levee and the creation of a beautiful riverwalk... both have become tourist signature projects for our city.
- A \$42 million state bridge just opened next to our original historic Mississippi River bridge bringing new access into our downtown for continued future development.
- We are projecting another \$100 million dollars of new development projects over the next 6 years.
- In 2002, downtown La Crosse received the prestigious and highly coveted "Great American Main Street Award" for the work of historic preservation and economic renewal.

The list of successes is huge and continues to grow daily. Historic Downtown La Crosse is now mentioned as a "model for successful redevelopment of a downtown" throughout the tri-state area.

The successes we have achieved could have happen in a speedier fashion if we would have had the opportunities and development tools that are listed in AB 599 and SB 331. I believe any Wisconsin downtown community interested in saving its Central Business District (CBD) will have a much more greater opportunity to do so with the legislative approval of these bills. If these bills are approved by the legislature, we in Historic Downtown La Crosse, will have a renewed opportunity to continue our work and build upon the successes we have already achieved...in a much more faster and positive development mode.

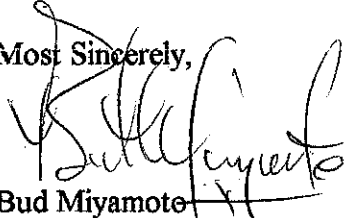
AB 599 support letter,
Assembly Committee on Rural Affairs
1-23-08

All of us at DMI, and our downtown retail/service businesses, our new corporations, and our new residential community residents ask for your unanimous support to the approval of these bills. We, and all downtown communities, big or small, will be able to renew, redevelop, revitalize their deteriorated and blighted CBDs that exist and bring tremendous economic growth successes to the entire State of Wisconsin. Redevelopment successes have been proven by La Crosse and a number of other state downtowns already...it does work and we need continued support from the state to assist the economic revitalization of our towns and cities. What is accomplished will benefit all the citizenry of Wisconsin.

Our organization is not a state sponsored organization, but rather an independent Main Street organization that follows many of the guidelines from the National Main Street organization.

Thank you for your support. "On Wisconsin"!

Most Sincerely,



Bud Miyamoto
Executive Director



State of Wisconsin • DEPARTMENT OF REVENUE

2135 RIMROCK RD. • P.O. BOX 8933 • MADISON, WISCONSIN 53708-8933
PHONE (608) 266-6466 • FAX (608) 266-5718 • <http://www.revenue.wi.gov>

Jim Doyle
Governor

Roger M. Ervin
Secretary of Revenue

Assembly Rural Affairs Committee Hearing, January 24, 2008

Assembly Bill 599 - Regulation of Historic Buildings; Historic Rehabilitation Credits; Certification and Promotion of Downtowns; Highway Projects; Rulemaking Authority and Appropriations (Representative Shilling)

Description of Current Law and Proposed Change

Two nonrefundable credits are currently available to encourage the rehabilitation of historic buildings in Wisconsin: a supplement to the federal historic rehabilitation credit for commercial properties and a state credit for non-commercial properties.

The supplement to the federal historic rehabilitation credit, equal to 5% of qualified rehabilitation expenditures, can be claimed for projects that are eligible for the federal credit to substantially rehabilitate certified historic buildings for use in a trade or business. The credit is patterned after the federal credit for commercial rehabilitation of historic buildings. The rehabilitation work must meet historic preservation standards and the expenditures must exceed the taxpayer's adjusted basis in the building. Unused amounts of the credit can be carried forward for up to 15 years.

The state historic rehabilitation credit is equal to 25% of qualified expenditures to substantially rehabilitate certified historic buildings for owner-occupied personal residences not used in the course of a trade or business. The maximum credit amount is \$10,000 (\$5,000 for married persons filing separately). Unused amounts of credit can be carried forward for up to 15 years.

Beginning in tax year 2008, the bill increases the amount of the supplemental state credit from 5% to 20% for rehabilitated commercial property located in the state. The claimant must have approval for the rehabilitation from the State Historical Society.

Additionally, individuals who are not eligible for the federal historic rehabilitation credit because qualified rehabilitation expenditures do not satisfy the adjusted basis requirement will be allowed to claim the supplemental state credit in an amount equal to 20% of qualified expenses if the following conditions are met: 1) the qualified expenses must be at least \$10,000, 2) the project must be certified by the State Historical Society, and 3) the rehabilitated property must be located in the state. Claimants must claim the credit for the same taxable year as the credit would have been claimed for federal purposes.

If the property owner is a nonresident of Wisconsin who is not required to file an income tax return, the bill allows the owner to enter into an agreement with another person so that the other person may claim the supplemental state credit. The agreement requires approval from the Department of Revenue.

All or a portion of the supplemental credit must be paid back to the state if the property is sold or conveyed or the State Historical Society determines that the property has been altered to the extent that it does not comply with the standards for rehabilitation.

Beginning in tax year 2008, the bill also increases the state credit rate for owner-occupied residences to 30% provided that the rehabilitated property is located in the state and the claimant has approval for the rehabilitation from the State Historical Society.

Impact on Economic Development

- The bill would encourage rehabilitation of historic buildings.

Administrative Impact/Fiscal Effect

- Data are not available to estimate the number of potential federal historic rehabilitation credit claimants who do not meet the adjusted basis requirement. Additionally, the credits are designed to promote historic rehabilitation, but data are also not available to estimate the increased participation that would result from increasing the credit rates. Consequently the fiscal effect of the bill is unknown.
- The Department has a number of technical concerns related to the bill, which were shared with the author on December 19th (see attachment).

Prepared by: Brad Caruth, (608) 261-8984

Attachment

BC:kg
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Department of Revenue Technical Concerns for Assembly Bill 599

Transferability of tax credits

Section 71.07(9m)(g) provides that a nonresident of Wisconsin who is not required to file a Wisconsin return may enter into an agreement with another person so that the other person may claim the credit. Because the credit only applies to depreciable property (rental or other property used in a trade or business), it is unlikely that the owner of the property would not be required to file a Wisconsin return. A nonresident of Wisconsin is required to file a return if gross income from such property and other Wisconsin sources is \$2,000 or more. Furthermore, any income received from transferring the credit would be taxable. It is unclear why a nonresident would transfer a credit.

The bill provides that a "person who receives a credit" must repay that credit if the property is sold within five years or the property has been altered to the extent that it does not comply with the standards. Since there are no requirements to report transfers of tax credits, it appears that the person who receives the credit is the property owner. Unless the bill sponsor wants to establish a new mechanism whereby all credit transfers are reported, the bill should clarify that the property owner is required to repay any credit that has been disallowed, even though that credit may have been transferred to another person.

Sections 71.28(6)(g) and 71.47(6)(g) provide that a nonresident corporation or insurance company who is not required to file a Wisconsin return may enter into an agreement with another person so that the other person may claim the credit. With respect to a corporation, the term "nonresident" needs to be defined. One possibility is defining a nonresident corporation as a corporation not domiciled in Wisconsin as that term is defined in s. 71.22(1g). Unlike an individual, a corporation that owns property in Wisconsin is required to file a Wisconsin return, regardless of the amount of income earned. As with s. 71.07(9m)(g), the statute should specify who must repay a credit that is disallowed.

Statute of limitations

The bill provides that the credit is to be claimed for the same taxable year in which the claimant would have claimed the credit for federal purposes. Under federal law, the credit is either claimed when the project is complete or as progress is being made, depending on the facts and circumstances. If a taxpayer elects to claim the expenditures as they have been paid rather than when the project is completed, the statutes should provide that the taxpayer must file an election form with the department and agree that notwithstanding s. 71.77, the department may adjust or disallow the credit claimed within four years after the date that the State Historical Society notifies the department that the preservation or rehabilitation is not in compliance with the standards under s. 44.02(24), Stats.

Prepared by: Brad Caruth, (608) 261-8984



WISCONSIN HISTORICAL SOCIETY

Headquarters Building
816 State Street
Madison, WI 53706-1482
608-264-6400

Testimony before the Rural Affairs Committee. 2008 Assembly Bill 599 January 24, 2007

I am Michael Stevens and am State Historic Preservation Officer and Administrator of the Division of Historic Preservation and Public History at the Wisconsin Historical Society

The Wisconsin Historical Society supports SB 331/AB 599, the Downtown Wisconsin Act. The legislation encourages investment in rehabilitating Wisconsin's historic buildings. Many of these buildings are in downtown areas, and the legislation also encourages downtown development. The federal government currently provides a 20% historic rehabilitation tax credit. Last year this credit generated \$51 million in investment in Wisconsin and returned \$10 million in federal tax credits to Wisconsin taxpayers. AB599 supplements the federal tax credit program by improving the existing state historic rehabilitation tax credit program, both of which are administered by the Wisconsin Historical Society. It also provides funds for the Main Street program administered by the Department of Commerce through fees collected by the Wisconsin Historical Society.

The Society supports increasing tax credits for historic properties. Since the tax credit program began 30 years ago, more than one and a quarter billion dollars of investment has been made in historic properties in Wisconsin, an investment that created jobs that stayed in this state. Economic studies elsewhere have shown that tax credits are revenue positive, returning more to the state in sales tax, payroll tax and other fees than the revenue lost to the credit. At the same time, they have resulted in increased property values that improve the local property tax base.

The Historical Society cites the experience in other states that demonstrates expanding historic preservation rehabilitation tax credits encourages the preservation of historic buildings and results in greater economic development. A Rutgers University study of improvements to the Missouri historic preservation tax credit program demonstrates the substantial impact on that state's economy. The Rutgers study reports that Missouri's historic preservation tax credits helped stimulate \$346 million in annual expenditures for the rehabilitation of historic buildings. The same study also details increased tourism spending, more jobs, and the generation of more taxable income as additional benefits. (<http://www.dnr.mo.gov/shpo/RutgersStudy.pdf>)

The increased expenses associated with reviewing the anticipated large increase in tax credit applications will be recovered by a fee on applicants, not from GPR. The legislation provides for transfer of 50 percent of the fees generated from reviewing applications for income-producing properties to the Department of Commerce. In our fiscal note, the Society estimates that fees paid by those who benefit from the credit will offset the additional costs to the Society incurred by the increased workload. Based on the experience in Missouri, we also predict that the Society will need 4.7 FTE PRS positions to support the increased workload, although the legislation authorizes only 1.0 FTE PRS position for the Society.

In summary we believe that this legislation is good both for history in Wisconsin and for Wisconsin's economic development.